

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ARA-14 ISO-00 L-03 FRB-01 OMB-01

ITC-01 SP-02 USIA-15 AGRE-00 AID-05 CIAE-00

COME-00 INR-07 IO-14 LAB-04 NSAE-00 OIC-02 SIL-01

STR-04 TRSE-00 CEA-01 SS-15 /109 W

-----087517 271534Z /44

R 271528Z AUG 77

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 4576

INFO AMEMBASSY LA PAZ

AMEMBASSY BRASILIA

AMEMBASSY BOGOTA

AMEMBASSY SAN JOSE

AMEMBASSY QUITO

AMEMBASSY SAN SALVADOR

AMEMBASSY GUATEMALA

AMEMBASSY TEGUCIGALPA

AMEMBASSY MANAGUA

AMEMBASSY CARACAS

AMEMBASSY NAIROBI PRIORITY

UNCLAS MEXICO 14387

PASS USDA

E O 11652: N/A

TAGS: EAGR, MX

SUBJECT: L.A. COFFEE MEETING AGREES TO ESTABLISH PRICE

STABILIZATION FUND

REF: STATE 203254

1. SUMMARY. A HIGH LEVEL MEETING OF 11 LATIN AMERICAN COFFEE PRODUCING COUNTRIES WAS HELD AUGUST 22 AND 23 IN MEXICO CITY. REPRESENTATIVES DELIBERATED A COMMON POLICY ON MAINTAINING COFFEE PRICES AND ANNOUNCED AGREEMENT TO UNCLASSIFIED

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ESTABLISH A SPECIAL FUND TO STABILIZE INTERNATIONAL COFFEE PRICES. END SUMMARY.

2. THE MEETING WAS A FOLLOW-UP TO THE MEETING OF CHIEFS OF STATE IN COLOMBIA DURING EARLY AUGUST. IT WAS OPENED BY SECRETARY OF COMMERCE FERNANDO SOLANA WHO EMPHASIZED THE IMPORTANCE OF COFFEE IN THE NATIONAL ECONOMY AND

BALANCE OF TRADE.

3. CAMILO CALAZANS DE MAGALHAES, INSTITUTO BRASILENO DEL CAFE, TALKED ABOUT WORLD PRODUCTION AND DANGEROUSLY LOW STOCKS. FAUSTO CANTU PENA, DIRECTOR, INMECAFE, STRESSED THE URGENT NEED TO MAINTAIN PRICES AND ELIMINATE THE VIOLENT FLUCTUATIONS. CANTU PENA PROPOSED THE MEXICAN PLAN TO ESTABLISH A FUND BY PRODUCERS AND CONSUMERS TO MAINTAIN PRICES BETWEEN MINIMUM AND MAXIMUM LEVELS.

4. THE AGREEMENT ON THIS PLAN CALLS FOR THE FUND TO BE CREATED UNDER THE INTERNATIONAL COFFEE ORGANIZATION. SOURCES INDICATE COST OF PROGRAM DISCUSSED IS IN RANGE OF \$300 TO 500 MILLION DOLLARS TO BE POSSIBLY FINANCED BY A TAX OF \$8 PER BAG. DIFFERENCES WERE REPORTED IN DISCUSSIONS CONCERNING LOCATION AND MANAGEMENT OF PLAN (MEXICO CITY OR OTHER). COLOMBIA REPORTEDLY PUSHED FOR PROMOTION PROGRAM FOR COFFEE AND PRODUCING COUNTRIES POSITION IN U.S. AND WESTERN EUROPE INSTEAD.

5. A STATEMENT WAS ISSUED AT THE CLOSE OF THE MEETING INDICATING:

A. COFFEE SUPPLIES IN PRODUCERS HANDS WERE EXHAUSTED.

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B. IN SPITE OF ESTIMATES INDICATING REDUCED CONSUMPTION, FAVORABLE PROSPECTS ARE INDICATED FOR THE INDUSTRY DUE TO THE CURRENT PRICE RECUPERATION AND THE APPROACH OF THE HEAVY COFFEE DRINKING WINTER SEASON.

C. BRAZIL REAFFIRMED ITS INTENTION TO SELL A MAXIMUM OF 800,000 SACKS OF GREEN COFFEE MONTHLY DURING THE COMING YEAR. THE QUANTITY COULD BE REDUCED DEPENDING ON MARKET BEHAVIOR.

6. CONCERN WAS ALSO EXPRESSED AT THE MEETING ABOUT THE SPREAD OF COFFEE RUST (ROYA). COUNTRIES ATTENDING THE MEETING WERE BOLIVIA, BRAZIL, COLOMBIA, COSTA RICA, ECUADOR, EL SALVADOR, GUATEMALA, HONDURAS, NICARAGUA, VENEZUELA, MEXICO AND OBSERVER FROM IVORY COAST.

7. MEXICAN PARTICIPANTS IN THE MEETING LEFT FOR NAIROBI IMMEDIATELY AFTER MEETING AND BEFORE WE COULD CONTACT THEM. ABOVE INFORMATION WAS OBTAINED FROM VARIOUS SOURCES. GENERAL ACCURACY ABOVE PARAGRAPHS HAS JUST BEEN CONFIRMED BY FOREIGN RELATIONS SECRETARIAT. THOMPSON

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Message Attributes

Automatic Decaptioning: X
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Review Transfer Date:
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